



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB0621

Introduced 2/8/2007, by Sen. Bill Brady - Dan Cronin

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Requires the General Assembly Retirement System, the State Employees' Retirement System of Illinois, the State Universities Retirement System, the Teachers' Retirement System of the State of Illinois, and the Judges Retirement System of Illinois to automatically enroll its newly eligible employees in a self-managed program of retirement benefits instead of the program of retirement benefits currently offered and allows currently eligible employees to elect to participate in the self-managed program. Provides that a self-managed plan shall authorize a participating employee to accumulate assets for retirement through a combination of employer and employee contributions that may be invested at the employee's direction in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts. Provides that, to the extent that the changes made by the amendatory Act are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision. Effective immediately.

LRB095 10003 AMC 30217 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by adding
5 Sections 2-103.1, 2-103.2, 2-117.4, 2-126.2, 2-162.1,
6 14-103.40, 14-103.41, 14-105.8, 14-133.2, 14-152.2, 15-198.1,
7 16-104.1, 16-104.2, 16-131.7, 16-158.2, 16-203.1, 18-105.1,
8 18-105.2, 18-123.3, 18-133.2, and 18-169.1 and changing
9 Sections 2-126, 14-133, 15-103.3, 15-134.5, 15-158.2, 16-152,
10 and 18-133 as follows:

11 (40 ILCS 5/2-103.1 new)

12 Sec. 2-103.1. Traditional benefit package. "Traditional
13 benefit package" means the defined benefit retirement program
14 maintained by the System, which includes retirement annuities
15 payable directly from the System, as provided in Sections
16 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
17 payable directly from the System, as provided in Sections
18 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
19 refunds, as provided in Section 2-123.

20 (40 ILCS 5/2-103.2 new)

21 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
22 the defined contribution retirement program maintained by the

1 System, as described in Section 2-126.2. The self-managed plan
2 does not include retirement annuities or survivor's benefits
3 payable directly from the System, as provided in Sections
4 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
5 2-121.3 or refunds determined under Section 2-123.

6 (40 ILCS 5/2-117.4 new)
7 Sec. 2-117.4. Retirement program elections.

8 (a) For the purposes of this Section:

9 "Eligible participant" means either a currently eligible
10 participant or a newly eligible participant of the System.

11 "Currently eligible participant" means a person who is a
12 participant under this Article on the date on which the System
13 first offers the self-managed plan as an alternative to the
14 traditional benefit package.

15 "Newly eligible participant" means a person who first
16 becomes a participant after the date on which the System first
17 offers the self-managed plan as an alternative to the
18 traditional benefit package.

19 (b) When the System offers to participants under this
20 Article a self-managed plan as an alternative to the
21 traditional benefit package, each currently eligible
22 participant shall be given the choice to elect which retirement
23 program he or she wishes to participate in with respect to all
24 periods of covered employment occurring on, before, and after
25 the effective date of the participant's election. The

1 retirement program election made by a currently eligible
2 participant must be made in writing, in the manner prescribed
3 by the System, and within the time period described in this
4 Section.

5 If a currently eligible participant elects the
6 self-managed plan, then that election is irrevocable. If a
7 currently eligible participant who elected to participate or
8 participated by default in the traditional benefit plan
9 terminates employment under this Article, then the
10 participant, upon his or her subsequent re-employment under
11 this Article, may make an election under this Section.

12 A currently eligible participant who fails to make an
13 election under this Section shall, by default, participate in
14 the traditional benefit package.

15 (c) A currently eligible participant may elect to
16 participate in the traditional benefit package or the
17 self-managed plan.

18 A currently eligible participant must make this election
19 within 5 years after the effective date of the adoption of the
20 self-managed plan under Section 2-126.2 or, in the case of a
21 currently eligible participant who terminates employment under
22 this Article, within 6 months after his or her re-employment
23 under this Article.

24 A newly eligible participant is automatically enrolled in
25 the self-managed plan under Section 2-162.2.

26 (d) If the currently eligible participant elects to

1 participate in the self-managed plan, the system shall fund
2 their account as stated in subsection (f) of Section 2-126.2.

3 (e) A currently eligible participant shall be provided with
4 written information prepared or prescribed by the System that
5 describes the participant's retirement program choices. The
6 eligible participant shall be offered an opportunity to receive
7 counseling from the System prior to making his or her election.
8 This counseling may consist of videotaped materials, group
9 presentations, individual consultation with an employee or
10 authorized representative of the System in person or by
11 telephone or other electronic means, or any combination of
12 these methods.

13 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

14 Sec. 2-126. Contributions by participants.

15 (a) Each participant shall contribute toward the cost of
16 his or her retirement annuity a percentage of each payment of
17 salary received by him or her for service as a member as
18 follows: for service between October 31, 1947 and January 1,
19 1959, 5%; for service between January 1, 1959 and June 30,
20 1969, 6%; for service between July 1, 1969 and January 10,
21 1973, 6 1/2%; for service after January 10, 1973, 7%; for
22 service after December 31, 1981, 8 1/2%.

23 (b) Beginning August 2, 1949, each male participant, and
24 from July 1, 1971, each female participant shall contribute
25 towards the cost of the survivor's annuity 2% of salary.

1 A participant who has no eligible survivor's annuity
2 beneficiary may elect to cease making contributions for
3 survivor's annuity under this subsection. A survivor's annuity
4 shall not be payable upon the death of a person who has made
5 this election, unless prior to that death the election has been
6 revoked and the amount of the contributions that would have
7 been paid under this subsection in the absence of the election
8 is paid to the System, together with interest at the rate of 4%
9 per year from the date the contributions would have been made
10 to the date of payment.

11 Notwithstanding any provision in this subsection (b) to the
12 contrary, in the case of an employee who participates in the
13 self-managed plan under Section 2-126.2, contributions for a
14 survivor's annuity shall instead be used to finance the
15 benefits available under Section 2-126.2.

16 (c) Beginning July 1, 1967, each participant shall
17 contribute 1% of salary towards the cost of automatic increase
18 in annuity provided in Section 2-119.1. These contributions
19 shall be made concurrently with contributions for retirement
20 annuity purposes.

21 (d) In addition, each participant serving as an officer of
22 the General Assembly shall contribute, for the same purposes
23 and at the same rates as are required of a regular participant,
24 on each additional payment received as an officer. If the
25 participant serves as an officer for at least 2 but less than 4
26 years, he or she shall contribute an amount equal to the amount

1 that would have been contributed had the participant served as
2 an officer for 4 years. Persons who serve as officers in the
3 87th General Assembly but cannot receive the additional payment
4 to officers because of the ban on increases in salary during
5 their terms may nonetheless make contributions based on those
6 additional payments for the purpose of having the additional
7 payments included in their highest salary for annuity purposes;
8 however, persons electing to make these additional
9 contributions must also pay an amount representing the
10 corresponding employer contributions, as calculated by the
11 System.

12 (Source: P.A. 90-766, eff. 8-14-98.)

13 (40 ILCS 5/2-126.2 new)

14 Sec. 2-126.2. Self-managed plan.

15 (a) The General Assembly finds that the State should have
16 the flexibility to provide a defined contribution
17 (self-managed) plan for eligible participants. Accordingly,
18 the General Assembly Retirement System is hereby authorized to
19 establish and administer a self-managed plan, which shall offer
20 participants the opportunity to accumulate assets for
21 retirement through a combination of participant and State
22 contributions that may be invested in mutual funds, collective
23 investment funds, or other investment products and used to
24 purchase annuity contracts, either fixed or variable or a
25 combination of fixed and variable. The plan must be qualified

1 under the Internal Revenue Code of 1986.

2 (b) The Board shall adopt the self-managed plan established
3 under this Section for participants under this Article. The
4 adoption of the self-managed plan makes available to the
5 eligible participants under this Article the elections
6 described in Section 2-117.4.

7 The General Assembly Retirement System shall be the plan
8 sponsor for the self-managed plan and shall prepare a plan
9 document and adopt any rules and procedures as are considered
10 necessary or desirable for the administration of the
11 self-managed plan. Consistent with its fiduciary duty to the
12 participants and beneficiaries of the self-managed plan, the
13 Board of Trustees of the System may delegate aspects of plan
14 administration as it sees fit to companies authorized to do
15 business in this State.

16 (c) The System shall solicit proposals to provide
17 administrative services and funding vehicles for the
18 self-managed plan from insurance and annuity companies and
19 mutual fund companies, banks, trust companies, or other
20 financial institutions authorized to do business in this State.
21 In reviewing the proposals received and approving and
22 contracting with no fewer than 2 and no more than 7 companies,
23 the Board of Trustees of the System shall consider, among other
24 things, the following criteria:

25 (1) the nature and extent of the benefits that would be
26 provided to the participants;

1 (2) the reasonableness of the benefits in relation to
2 the premium charged;

3 (3) the suitability of the benefits to the needs and
4 interests of the participants and the State; and

5 (4) the ability of the company to provide benefits
6 under the contract and the financial stability of the
7 company.

8 The System shall periodically review each approved
9 company. A company may continue to provide administrative
10 services and funding vehicles for the self-managed plan only so
11 long as it continues to be an approved company under contract
12 with the Board.

13 In addition to the companies approved by the System under
14 this subsection (c), the System may offer its participants an
15 investment fund managed by the System.

16 (d) Participants in the program must be allowed to direct
17 the transfer of their account balances among the various
18 investment options offered, subject to applicable contractual
19 provisions. The participant shall not be deemed a fiduciary by
20 reason of providing such investment direction. A person who is
21 a fiduciary shall not be liable for any loss resulting from
22 that investment direction and shall not be deemed to have
23 breached any fiduciary duty by acting in accordance with that
24 direction. Neither the System nor the State shall guarantee any
25 of the investments in the participant's account balances.

26 (e) A currently eligible participant, as defined in Section

1 2-117.4, must make a written election to participate in the
2 self-managed plan in accordance with the provisions of Section
3 2-117.4 and the procedures established by the System.
4 Participation in the self-managed plan shall begin on the first
5 day of the month immediately following the month in which the
6 currently eligible participant's election is filed with the
7 System or when a newly eligible participant, as defined in
8 Section 2-117.4, enters the System, but not sooner than the
9 effective date of the self-managed plan. The System shall make
10 the self-managed plan available under this Article by January
11 1, 2009. A member's participation in the traditional retirement
12 package under this Article shall terminate on the date that
13 participation in the self-managed plan begins.

14 A member who has elected to participate in the self-managed
15 plan under this Section must continue participation while he or
16 she remains a participant under this Article, and may not
17 participate in the traditional benefit package.

18 Participation in the self-managed plan under this Section
19 shall constitute participation in the General Assembly
20 Retirement System.

21 A participant under this Section shall be entitled to the
22 benefits of Article 20 of this Code.

23 (f) If, at the time a participant elects to participate in
24 the self-managed plan, the participant has rights and credits
25 in the System due to previous participation in the traditional
26 benefit package, the System shall establish for the participant

1 an opening account balance in the self-managed plan, equal to
2 (1) the amount of the contribution refund that the participant
3 would be eligible to receive under Section 2-123 if the
4 participant terminated employment on that date and elected a
5 refund of contributions and (2) an amount equal to the regular
6 employer contribution that would be required to fund the actual
7 regular cost incurred for each year of service credit earned,
8 provided that the total opening account balance does not exceed
9 7.6% of the participant's salary for that year, plus interest.
10 The interest used in this subsection (f) is calculated as the
11 average annual rate of return that the System has earned over
12 the past 20 fiscal years and is compounded. The System shall
13 transfer assets from the defined benefit retirement program to
14 the self-managed plan, as a tax-free transfer in accordance
15 with Internal Revenue Service guidelines, for purposes of
16 funding the participant's opening account balance.

17 (g) Notwithstanding any other provision of this Article, a
18 participant may not purchase or receive service or service
19 credit applicable to the traditional benefit package under this
20 Article for any period during which the employee was a
21 participant in the self-managed plan established under this
22 Section.

23 (h) The self-managed plan shall be funded by contributions
24 from participants in the self-managed plan and State
25 contributions as provided in this Section.

26 The contribution rate for participants in the self-managed

1 plan under this Section shall be equal to the member
2 contribution rate for other participants in the System, as
3 provided in Section 2-126. This required contribution shall be
4 made as an employer pick-up under Section 414(h) of the
5 Internal Revenue Code of 1986 or any successor Section thereof.
6 Any participant in the System's traditional benefit package
7 prior to his or her election to participate in the self-managed
8 plan shall continue to have the employer pick up the
9 contributions required under Section 2-126. However, the
10 amounts picked up after the election of the self-managed plan
11 shall be remitted to and treated as assets of the self-managed
12 plan. In no event shall a participant have the option of
13 receiving these amounts in cash. Participants may make
14 additional contributions to the self-managed plan in
15 accordance with procedures prescribed by the System, to the
16 extent permitted under rules adopted by the System.

17 The program shall provide for State contributions to be
18 credited to each self-managed plan participant in an amount
19 equal to the regular employer contribution that would be
20 required to fund the actual regular cost incurred for each year
21 of service credit earned had the participant chosen to enroll
22 in the traditional benefit plan. The amounts so credited shall
23 be paid into the participant's self-managed plan accounts in a
24 manner to be prescribed by the System.

25 The State of Illinois shall make contributions by
26 appropriations to the System for participants in the

1 self-managed plan under this Section. The amount required shall
2 be certified by the Board of Trustees of the System and paid by
3 the State in accordance with Section 2-134. The System shall
4 not be obligated to remit the required State contributions to
5 any of the insurance and annuity companies, mutual fund
6 companies, banks, trust companies, financial institutions, or
7 other sponsors of any of the funding vehicles offered under the
8 self-managed plan until it has received the required State
9 contributions from the State.

10 (i) A participant in the self-managed plan becomes vested
11 in the State contributions credited to his or her accounts in
12 the self-managed plan on the earliest to occur of the
13 following: (1) attainment of 5 years of service credit; (2) the
14 death of the participating member while employed under this
15 Article, if the member has completed at least 1.5 years of
16 service; or (3) the member's election to retire and apply the
17 reciprocal provisions of Article 20 of this Code.

18 A participant in the self-managed plan who receives a
19 distribution of his or her vested amounts from the self-managed
20 plan while not yet eligible for retirement under this Article
21 (and Article 20, if applicable) shall forfeit all service
22 credit and accrued rights in the System; if he or she
23 subsequently becomes a participant under this Article again, he
24 or she shall be considered a new participant. If a former
25 participant again becomes a participating member (or becomes
26 employed by a participating system under Article 20 of this

1 Code) and continues as such for at least 2 years, all rights,
2 service credits, and previous status as a participant shall be
3 restored upon repayment of the amount of the distribution,
4 without interest.

5 (j) If a participant in the self-managed plan who is vested
6 in State contributions terminates employment, the participant
7 shall be entitled to a benefit that is based on the account
8 values attributable to both State and member contributions and
9 any investment return thereon.

10 If a participant in the self-managed plan who is not vested
11 in State contributions terminates employment, the participant
12 shall be entitled to a benefit based solely on the account
13 values attributable to the participant's contributions and any
14 investment return thereon, and the State contributions and any
15 investment return thereon shall be forfeited. Any State
16 contributions that are forfeited shall be held in escrow by the
17 company investing those contributions and shall be used, as
18 directed by the System, for future allocations of State
19 contributions or for the restoration of amounts previously
20 forfeited by former participants who again become
21 participating members.

22 (40 ILCS 5/2-162.1 new)

23 Sec. 2-162.1. New benefit increases. To the extent that the
24 changes made to this Article by this amendatory Act of the 95th
25 General Assembly authorizing the System to offer a self-managed

1 plan are determined to be a new benefit increase within the
2 meaning of Section 2-162, the changes made by this amendatory
3 Act are exempt from the provisions of subsection (d) of Section
4 2-162.

5 (40 ILCS 5/14-103.40 new)

6 Sec. 14-103.40. Traditional benefit package. "Traditional
7 benefit package" means the defined benefit retirement program
8 maintained by the System, which includes retirement annuities
9 payable directly from the System, as provided in Sections
10 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110, 14-112,
11 14-113, 14-114, and 14-115; disability benefits payable under
12 Sections 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and
13 14-126; death benefits payable directly from the System, as
14 provided in Sections 14-116, 14-117, and 14-128; widow or
15 survivors annuities payable directly from the System, as
16 provided in Sections 14-118, 14-119, 14-120, 14-121, 14-121.1,
17 and 14-122; and contribution refunds, as provided in Section
18 14-130.

19 (40 ILCS 5/14-103.41 new)

20 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
21 means the defined contribution retirement program maintained
22 under the System, as described in Section 14-133.2. The
23 self-managed plan also includes disability benefits, as
24 provided in Sections 14-123, 14-123.1, 14-124, 14-125,

1 14-125.1, and 14-126. The self-managed plan does not include
2 retirement annuities, death benefits, widow or survivors
3 annuities payable directly from the System, as provided in
4 Sections 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110,
5 14-112, 14-113, 14-114, 14-115, 14-116, 14-117, 14-118,
6 14-119, 14-120, 14-121, 14-121.1, 14-122, and 14-128 or refunds
7 determined under Section 14-130.

8 (40 ILCS 5/14-105.8 new)

9 Sec. 14-105.8. Retirement program elections.

10 (a) For the purposes of this Section:

11 "Eligible employee" means either a currently eligible
12 employee or a newly eligible employee.

13 "Currently eligible employee" means an employee who is
14 employed by the State on the date on which the System first
15 offers the self-managed plan as an alternative to the
16 traditional benefit package.

17 "Newly eligible employee" means an employee who first
18 becomes employed under this Article after the date on which the
19 System first offers the self-managed plan as an alternative to
20 the traditional benefit package.

21 (b) When the System offers to employees under this Article
22 the self-managed plan as an alternative to the traditional
23 benefit package, each currently eligible employee shall be
24 given the choice to elect which retirement program he or she
25 wishes to participate in with respect to all periods of covered

1 employment occurring on, before, and after the effective date
2 of the employee's election. The retirement program election
3 made by a currently eligible employee must be made in writing,
4 in the manner prescribed by the System, and within the time
5 period described in this Section.

6 If a currently eligible employee elects the self-managed
7 plan, then that election is irrevocable. If a currently
8 eligible employee who elected to participate or participated by
9 default in the traditional benefit plan terminates employment
10 under this Article, then the employee, upon his or her
11 subsequent re-employment under this Article, may make an
12 election under this Section.

13 A currently eligible employee who fails to make an election
14 under this Section shall, by default, participate in the
15 traditional benefit package.

16 (c) A currently eligible employee may elect to participate
17 in the traditional benefit package or the self-managed plan.

18 A currently eligible employee must make this election
19 within 5 years after the effective date of the adoption of the
20 self-managed plan under Section 14-133.2 or, in the case of a
21 currently eligible employee who terminates employment under
22 this Article, within 6 months after his or her re-employment
23 under this Article.

24 A newly eligible employee is automatically enrolled in the
25 self-managed plan under Section 14-133.2.

26 (d) If a currently eligible participant elects to

1 participate in the self-managed plan, the System shall fund
2 their account as stated in subsection (f) of Section 14-133.2.

3 (e) A currently eligible employee shall be provided with
4 written information prepared or prescribed by the System that
5 describes the employee's retirement program choices. Each
6 eligible employee shall be offered an opportunity to receive
7 counseling from the System prior to making his or her election.
8 This counseling may consist of videotaped materials, group
9 presentations, individual consultation with an employee or
10 authorized representative of the System in person or by
11 telephone or other electronic means, or any combination of
12 these methods.

13 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

14 Sec. 14-133. Contributions on behalf of members.

15 (a) Each participating employee shall make contributions
16 to the System, based on the employee's compensation, as
17 follows:

18 (1) Covered employees, except as indicated below, 3.5%
19 for retirement annuity, and 0.5% for a widow or survivors
20 annuity;

21 (2) Noncovered employees, except as indicated below,
22 7% for retirement annuity and 1% for a widow or survivors
23 annuity;

24 (3) Noncovered employees serving in a position in which
25 "eligible creditable service" as defined in Section 14-110

1 may be earned, 1% for a widow or survivors annuity plus the
2 following amount for retirement annuity: 8.5% through
3 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
4 in 2004 and thereafter;

5 (4) Covered employees serving in a position in which
6 "eligible creditable service" as defined in Section 14-110
7 may be earned, 0.5% for a widow or survivors annuity plus
8 the following amount for retirement annuity: 5% through
9 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
10 and thereafter;

11 (5) Each security employee of the Department of
12 Corrections or of the Department of Human Services who is a
13 covered employee, 0.5% for a widow or survivors annuity
14 plus the following amount for retirement annuity: 5%
15 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
16 in 2004 and thereafter;

17 (6) Each security employee of the Department of
18 Corrections or of the Department of Human Services who is
19 not a covered employee, 1% for a widow or survivors annuity
20 plus the following amount for retirement annuity: 8.5%
21 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
22 11.5% in 2004 and thereafter.

23 Notwithstanding any provision in this subsection (a) to the
24 contrary, in the case of an employee who participates in the
25 self-managed plan under Section 14-133.2, contributions for
26 widow or survivors annuities shall instead be used by the

1 System to fund the benefits in Sections 14-123, 14-123.1,
2 14-124, 14-125, 14-125.1, and 14-126.

3 (b) Contributions shall be in the form of a deduction from
4 compensation and shall be made notwithstanding that the
5 compensation paid in cash to the employee shall be reduced
6 thereby below the minimum prescribed by law or regulation. Each
7 member is deemed to consent and agree to the deductions from
8 compensation provided for in this Article, and shall receipt in
9 full for salary or compensation.

10 (Source: P.A. 92-14, eff. 6-28-01.)

11 (40 ILCS 5/14-133.2 new)

12 Sec. 14-133.2. Self-managed plan.

13 (a) The General Assembly finds that it is important for
14 Illinois to be able to attract and retain the most qualified
15 employees and that in order to attract and retain these
16 employees, the State of Illinois should have the flexibility to
17 provide the defined contribution (self-managed) plan for
18 eligible employees. Accordingly, the State Employees
19 Retirement System of Illinois is hereby authorized to establish
20 and administer a self-managed plan, which shall offer
21 participating employees the opportunity to accumulate assets
22 for retirement through a combination of employee and employer
23 contributions that may be invested in mutual funds, collective
24 investment funds, or other investment products and used to
25 purchase annuity contracts, either fixed or variable or a

1 combination of fixed and variable. The plan must be qualified
2 under the Internal Revenue Code of 1986.

3 (b) The Board shall adopt the self-managed plan established
4 under this Section for members under this Article. The State's
5 election to adopt the self-managed plan makes available to the
6 eligible employees of the State of Illinois the elections
7 described in Section 14-105.8.

8 The State Employees Retirement System of Illinois shall be
9 the plan sponsor for the self-managed plan and shall prepare a
10 plan document and adopt such rules and procedures as are
11 considered necessary or desirable for the administration of the
12 self-managed plan. Consistent with its fiduciary duty to the
13 participants and beneficiaries of the self-managed plan, the
14 Board of Trustees of the System may delegate aspects of plan
15 administration as it sees fit to companies authorized to do
16 business in this State.

17 (c) The System shall solicit proposals to provide
18 administrative services and funding vehicles for the
19 self-managed plan from insurance and annuity companies and
20 mutual fund companies, banks, trust companies, or other
21 financial institutions authorized to do business in this State.
22 In reviewing the proposals received and approving and
23 contracting with no fewer than 2 and no more than 7 companies,
24 the Board of Trustees of the System shall consider, among other
25 things, the following criteria:

26 (1) the nature and extent of the benefits that would be

- 1 provided to the participants;
2 (2) the reasonableness of the benefits in relation to
3 the premium charged;
4 (3) the suitability of the benefits to the needs and
5 interests of the participating employees and the State;
6 (4) the ability of the company to provide benefits
7 under the contract and the financial stability of the
8 company; and
9 (5) the efficacy of the contract in the recruitment and
10 retention of employees.

11 The System shall periodically review each approved
12 company. A company may continue to provide administrative
13 services and funding vehicles for the self-managed plan only so
14 long as it continues to be an approved company under contract
15 with the Board.

16 In addition to the companies approved by the System under
17 this subsection (c), the System may offer its participants an
18 investment fund managed by the System.

19 (d) Employees who are participating in the program must be
20 allowed to direct the transfer of their account balances among
21 the various investment options offered, subject to applicable
22 contractual provisions. The participant shall not be deemed a
23 fiduciary by reason of providing such investment direction. A
24 person who is a fiduciary shall not be liable for any loss
25 resulting from such investment direction and shall not be
26 deemed to have breached any fiduciary duty by acting in

1 accordance with that direction. Neither the System nor the
2 employer shall guarantee any of the investments in the
3 employee's account balances.

4 (e) A currently eligible employee, as defined in Section
5 14-105.8, must make a written election to participate in the
6 self-managed plan in accordance with the provisions of Section
7 14-105.8 and the procedures established by the System.
8 Participation in the self-managed plan shall begin on the first
9 day of the month immediately following the month in which the
10 currently eligible employee's election is filed with the System
11 or when a newly eligible employee, as defined in Section
12 14-105.8, enters the System, but not sooner than the effective
13 date of the self-managed plan. The System shall make the
14 self-managed plan available under this Article by January 1,
15 2009. An employee's participation in the traditional
16 retirement package under this Article shall terminate on the
17 date that participation in the self-managed plan begins.

18 An employee who has elected to participate in the
19 self-managed plan under this Section must continue
20 participation while employed in an eligible position, and may
21 not participate in the traditional benefit package
22 administered by the System under this Article while employed by
23 the State under this Article.

24 Participation in the self-managed plan under this Section
25 shall constitute membership in the State Employees' Retirement
26 System of Illinois.

1 A participant under this Section shall be entitled to the
2 benefits of Article 20 of this Code.

3 (f) If, at the time an employee elects to participate in
4 the self-managed plan, the employee has rights and credits in
5 the System due to previous participation in the traditional
6 benefit package, the System shall establish for the employee an
7 opening account balance in the self-managed plan, equal to (i)
8 the amount of the contribution refund that the employee would
9 be eligible to receive under Section 14-130 if the employee
10 terminated employment on that date and elected a refund of
11 contributions, plus (ii) an amount equal to the regular
12 employer contribution that would be required to fund the actual
13 regular cost incurred for each year of service credit earned,
14 provided that the total opening account balance does not exceed
15 7.6% of that participant's salary for that year, plus interest.
16 The interest used in this subsection (f) is calculated as the
17 average annual rate of return that the System has earned over
18 the past 20 fiscal years and is compounded. The System shall
19 transfer assets from the defined benefit retirement program to
20 the self-managed plan, as a tax-free transfer in accordance
21 with Internal Revenue Service guidelines, for purposes of
22 funding the employee's opening account balance.

23 (g) Notwithstanding any other provision of this Article, an
24 employee may not purchase or receive service or service credit
25 applicable to the traditional benefit package under this
26 Article for any period during which the employee was a

1 participant in the self-managed plan established under this
2 Section.

3 (h) The self-managed plan shall be funded by contributions
4 from employees participating in the self-managed plan and State
5 contributions as provided in this Section.

6 The contribution rate for employees participating in the
7 self-managed plan under this Section shall be equal to the
8 employee contribution rate applicable to participants of the
9 same class under Section 14-133. This required contribution
10 shall be made as an employer pick-up under Section 414(h) of
11 the Internal Revenue Code of 1986 or any successor Section
12 thereof. Any employee participating in the System's
13 traditional benefit package prior to his or her election to
14 participate in the self-managed plan shall continue to have the
15 employer pick up the contributions required under Section
16 14-133. However, the amounts picked up after the election of
17 the self-managed plan shall be remitted to and treated as
18 assets of the self-managed plan. In no event shall the employee
19 have an option of receiving these amounts in cash. Employees
20 may make additional contributions to the self-managed plan in
21 accordance with procedures prescribed by the System, to the
22 extent permitted under rules adopted by the System.

23 The program shall provide for State contributions to be
24 credited to each self-managed plan participant in an amount
25 equal to the regular employer contribution that would be
26 required to fund the actual regular cost incurred for each year

1 of service credit earned had the participant chosen to enroll
2 in the traditional benefit plan.

3 The System shall not be obligated to remit the required
4 employer contributions to any of the insurance and annuity
5 companies, mutual fund companies, banks, trust companies,
6 financial institutions, or other sponsors of any of the funding
7 vehicles offered under the self-managed plan until it has
8 received the required employer contributions from the State. In
9 the event of a deficiency in the amount of State contributions,
10 the System shall implement any procedures to obtain the
11 required funding from the General Revenue Fund.

12 An amount of employer contribution, not exceeding 1% of the
13 participating employee's salary, shall be used for the purpose
14 of providing the disability benefits of the System to the
15 employee. Prior to the beginning of each plan year under the
16 self-managed plan, the Board of Trustees shall determine, as a
17 percentage of salary, the amount of employer contributions to
18 be allocated during that plan year for providing disability
19 benefits for employees in the self-managed plan. The provisions
20 of this paragraph shall work in conjunction with the provisions
21 of subsection (a-1) of Section 14-133.

22 (i) A participant in the self-managed plan becomes vested
23 in the employer contributions credited to his or her accounts
24 in the self-managed plan on the earliest to occur of the
25 following: (1) completion of 5 years of service credit under
26 this Article; (2) the death of the participating employee while

1 employed by an employer under this Article, if the participant
2 has completed at least 1.5 years of service; or (3) the
3 participant's election to retire and apply the reciprocal
4 provisions of Article 20 of this Code.

5 A participant in the self-managed plan who receives a
6 distribution of his or her vested amounts from the self-managed
7 plan while not yet eligible for retirement under this Article
8 (and Article 20, if applicable) shall forfeit all service
9 credit and accrued rights in the System; if subsequently
10 re-employed, the participant shall be considered a new
11 employee. If a former participant again becomes a participating
12 employee (or becomes employed by a participating system under
13 Article 20 of this Code) and continues as such for at least 2
14 years, all rights, service credits, and previous status as a
15 participant shall be restored upon repayment of the amount of
16 the distribution, without interest.

17 (j) If an employee participating in the self-managed plan
18 who is vested in employer contributions terminates employment,
19 the employee shall be entitled to a benefit which is based on
20 the account values attributable to both employer and employee
21 contributions and any investment return thereon.

22 If an employee participating in the self-managed plan who
23 is not vested in employer contributions terminates employment,
24 the employee shall be entitled to a benefit based solely on the
25 account values attributable to the employee's contributions
26 and any investment return thereon, and the employer

1 contributions and any investment return thereon shall be
2 forfeited. Any employer contributions which are forfeited
3 shall be held in escrow by the company investing those
4 contributions and shall be used, as directed by the System, for
5 future allocations of employer contributions or for the
6 restoration of amounts previously forfeited by former
7 participants who again become participating employees.

8 (40 ILCS 5/14-152.2 new)

9 Sec. 14-152.2. New benefit increases. To the extent that
10 the changes made to this Article by this amendatory Act of the
11 95th General Assembly authorizing the System to offer a
12 self-managed plan are determined to be a new benefit increase
13 within the meaning of Section 14-152.1, the changes made by
14 this amendatory Act are exempt from the provisions of
15 subsection (d) of Section 14-152.1.

16 (40 ILCS 5/15-103.3)

17 Sec. 15-103.3. Self-Managed Plan. "Self-managed plan": The
18 defined contribution retirement program maintained under the
19 System as described in Section 15-158.2. ~~The self-managed plan~~
20 ~~also includes disability benefits as provided in Sections~~
21 ~~15-150 through 15-153.3 (but disregarding disability~~
22 ~~retirement annuities under Section 15-153.2).~~ The self-managed
23 plan does not include retirement annuities, death benefits, or
24 survivors insurance benefits payable directly from the System

1 as provided in Sections 15-135 through 15-149 and Section
2 15-153.2, or refunds determined under Section 15-154.

3 (Source: P.A. 90-766, eff. 8-14-98.)

4 (40 ILCS 5/15-134.5)

5 Sec. 15-134.5. Retirement program elections.

6 (a) All participating employees are participants under the
7 traditional benefit package prior to January 1, 1998.

8 Effective as of the date that the System offers ~~an employer~~
9 ~~elects, as described in Section 15-158.2, to offer to~~ its
10 employees the portable benefit package and the self-managed
11 plan as alternatives to the traditional benefit package, each
12 ~~of that employer's~~ eligible employee ~~employees~~ (as defined in
13 subsection (b)) shall be given the choice to elect which
14 retirement program he or she wishes to participate in with
15 respect to all periods of covered employment occurring on and
16 after the effective date of the employee's election. The
17 retirement program election made by an eligible employee must
18 be made in writing, in the manner prescribed by the System, and
19 within the time period described in subsection (d) or (d-1).

20 If a currently eligible employee elects the self-managed
21 plan, then that election is irrevocable. ~~The employee election~~
22 ~~authorized by this Section is a one-time, irrevocable election.~~
23 If an employee who elected to participate or participated by
24 default in the traditional benefit plan terminates employment
25 ~~after making the election provided under this subsection (a),~~

1 then upon his or her subsequent re-employment under this
2 Article the employee may make an election under this Section
3 ~~with an employer the original election shall automatically~~
4 ~~apply to him or her, provided that the employer is then a~~
5 ~~participating employer as described in Section 15-158.2.~~

6 An eligible employee who fails to make this election shall,
7 by default, participate in the traditional benefit package.

8 (b) "Eligible employee" means an employee (as defined in
9 Section 15-107) who is either a currently eligible employee or
10 a newly eligible employee. For purposes of this Section, a
11 "currently eligible employee" is an employee who is employed
12 under this Article on the date on which the System first offers
13 the self-managed plan as an alternative to the traditional
14 benefit package ~~an employee who is employed by an employer on~~
15 ~~the effective date on which the employer offers to its~~
16 ~~employees the portable benefit package and the self managed~~
17 ~~plan as alternatives to the traditional benefit package. A~~
18 "newly eligible employee" is an employee who first becomes an
19 employee after the date on which the System first offers the
20 self-managed plan as an alternative to the traditional benefit
21 package. ~~an employee who first becomes employed by an employer~~
22 ~~after the effective date on which the employer offers its~~
23 ~~employees the portable benefit package and the self managed~~
24 ~~plan as alternatives to the traditional benefit package. A~~
25 ~~newly eligible employee participates in the traditional~~
26 ~~benefit package until he or she makes an election to~~

1 ~~participate in the portable benefit package or the self-managed~~
2 ~~plan. If an employee does not elect to participate in the~~
3 ~~portable benefit package or the self-managed plan, he or she~~
4 ~~shall continue to participate in the traditional benefit~~
5 ~~package by default.~~

6 (c) A currently ~~An~~ eligible employee who at the time he or
7 she is first eligible to make the election described in
8 subsection (a) does not have sufficient age and service to
9 qualify for a retirement annuity under Section 15-135 may elect
10 to participate in the traditional benefit package, the portable
11 benefit package, or the self-managed plan. ~~An eligible employee~~
12 ~~who has sufficient age and service to qualify for a retirement~~
13 ~~annuity under Section 15-135 at the time he or she is first~~
14 ~~eligible to make the election described in subsection (a) may~~
15 ~~elect to participate in the traditional benefit package or the~~
16 ~~portable benefit package, but may not elect to participate in~~
17 ~~the self-managed plan.~~

18 (d) A currently eligible employee must make this election
19 within 5 years ~~one year~~ after the effective date of the
20 ~~employer's~~ adoption of the self-managed plan.

21 A currently ~~newly~~ eligible employee who terminates
22 employment under this Article must make this election within 6
23 months after his or her re-employment under this Article. ~~the~~
24 ~~date on which the System receives the report of status~~
25 ~~certification from the employer. If an employee elects to~~
26 ~~participate in the self-managed plan, no employer~~

1 ~~contributions shall be remitted to the self-managed plan when~~
2 ~~the employee's account balance transfer is made.~~ Employer
3 contributions to the self-managed plan shall commence as of the
4 first pay period that begins after the System receives the
5 employee's election.

6 (d-1) A newly eligible employee is automatically enrolled
7 in the self-managed plan under Section 15-158.2. ~~who, prior to~~
8 ~~the effective date of this amendatory Act of the 91st General~~
9 ~~Assembly, fails to make the election within the period provided~~
10 ~~under subsection (d) and participates by default in the~~
11 ~~traditional benefit package may make a late election to~~
12 ~~participate in the portable benefit package or the self-managed~~
13 ~~plan instead of the traditional benefit package at any time~~
14 ~~within 6 months after the effective date of this amendatory Act~~
15 ~~of the 91st General Assembly.~~

16 (e) (Blank) ~~If a currently eligible employee elects the~~
17 ~~portable benefit package, that election shall not become~~
18 ~~effective until the one year anniversary of the date on which~~
19 ~~the election is filed with the System, provided the employee~~
20 ~~remains continuously employed by the employer throughout the~~
21 ~~one year waiting period, and any benefits payable to or on~~
22 ~~account of the employee before such one year waiting period has~~
23 ~~ended shall not be determined under the provisions applicable~~
24 ~~to the portable benefit package but shall instead be determined~~
25 ~~in accordance with the traditional benefit package. If a~~
26 ~~currently eligible employee who has elected the portable~~

1 ~~benefit package terminates employment covered by the System~~
2 ~~before the one-year waiting period has ended, then no benefits~~
3 ~~shall be determined under the portable benefit package~~
4 ~~provisions while he or she is inactive in the System and upon~~
5 ~~re-employment with an employer covered by the System he or she~~
6 ~~shall begin a new one-year waiting period before the provisions~~
7 ~~of the portable benefit package become effective.~~

8 (f) An eligible employee shall be provided with written
9 information prepared or prescribed by the System which
10 describes the employee's retirement program choices. The
11 eligible employee shall be offered an opportunity to receive
12 counseling from the System prior to making his or her election.
13 This counseling may consist of videotaped materials, group
14 presentations, individual consultation with an employee or
15 authorized representative of the System in person or by
16 telephone or other electronic means, or any combination of
17 these methods.

18 (Source: P.A. 90-766, eff. 8-14-98; 91-887, eff. 7-6-00.)

19 (40 ILCS 5/15-158.2)

20 Sec. 15-158.2. Self-managed plan.

21 (a) Purpose. The General Assembly finds that it is
22 important for colleges and universities to be able to attract
23 and retain the most qualified employees and that in order to
24 attract and retain these employees, colleges and universities
25 should have the flexibility to provide a defined contribution

1 (self-managed) plan as an alternative for eligible employees
2 who elect not to participate in a defined benefit retirement
3 program provided under this Article. Accordingly, the State
4 Universities Retirement System is hereby authorized to
5 establish and administer a self-managed plan, which shall offer
6 participating employees the opportunity to accumulate assets
7 for retirement through a combination of employee and employer
8 contributions that may be invested in mutual funds, collective
9 investment funds, or other investment products and used to
10 purchase annuity contracts, either fixed or variable or a
11 combination thereof. The plan must be qualified under the
12 Internal Revenue Code of 1986.

13 (b) The Board shall adopt the self-managed plan established
14 under this Section for participants under this Article. The
15 adoption of ~~Adoption by employers. Each employer subject to~~
16 ~~this Article may elect to adopt the self-managed plan~~
17 ~~established under this Section; this election is irrevocable.~~
18 ~~An employer's election to adopt the self-managed plan makes~~
19 ~~available to the eligible employees of that employer the~~
20 ~~elections described in Section 15-134.5.~~

21 The State Universities Retirement System shall be the plan
22 sponsor for the self-managed plan and shall prepare a plan
23 document and prescribe such rules and procedures as are
24 considered necessary or desirable for the administration of the
25 self-managed plan. Consistent with its fiduciary duty to the
26 participants and beneficiaries of the self-managed plan, the

1 Board of Trustees of the System may delegate aspects of plan
2 administration as it sees fit to companies authorized to do
3 business in this State, to the employers, or to a combination
4 of both.

5 (c) Selection of service providers and funding vehicles.
6 The System, in consultation with the employers, shall solicit
7 proposals to provide administrative services and funding
8 vehicles for the self-managed plan from insurance and annuity
9 companies and mutual fund companies, banks, trust companies, or
10 other financial institutions authorized to do business in this
11 State. In reviewing the proposals received and approving and
12 contracting with no fewer than 2 and no more than 7 companies,
13 the Board of Trustees of the System shall consider, among other
14 things, the following criteria:

15 (1) the nature and extent of the benefits that would be
16 provided to the participants;

17 (2) the reasonableness of the benefits in relation to
18 the premium charged;

19 (3) the suitability of the benefits to the needs and
20 interests of the participating employees and the employer;

21 (4) the ability of the company to provide benefits
22 under the contract and the financial stability of the
23 company; and

24 (5) the efficacy of the contract in the recruitment and
25 retention of employees.

26 The System, in consultation with the employers, shall

1 periodically review each approved company. A company may
2 continue to provide administrative services and funding
3 vehicles for the self-managed plan only so long as it continues
4 to be an approved company under contract with the Board.

5 In addition to the companies approved by the System under
6 this subsection (c), the System may offer its participants an
7 investment fund managed by the System.

8 (d) Employee Direction. Employees who are participating in
9 the program must be allowed to direct the transfer of their
10 account balances among the various investment options offered,
11 subject to applicable contractual provisions. The participant
12 shall not be deemed a fiduciary by reason of providing such
13 investment direction. A person who is a fiduciary shall not be
14 liable for any loss resulting from such investment direction
15 and shall not be deemed to have breached any fiduciary duty by
16 acting in accordance with that direction. Neither the System
17 nor the employer guarantees any of the investments in the
18 employee's account balances.

19 (e) Participation. A currently eligible ~~An~~ employee
20 eligible to participate in the self-managed plan must make a
21 written election in accordance with the provisions of Section
22 15-134.5 and the procedures established by the System.
23 Participation in the self-managed plan by an electing employee
24 shall begin on the first day of the first pay period following
25 the later of the date the employee's election is filed with the
26 System or the effective date as of which the employee's

1 employer begins to offer participation in the self-managed
2 plan. Employers may not make the self-managed plan available
3 earlier than January 1, 1998. An employee's participation in
4 any other retirement program administered by the System under
5 this Article shall terminate on the date that participation in
6 the self-managed plan begins.

7 An employee who has elected to participate in the
8 self-managed plan under this Section must continue
9 participation while employed in an eligible position, and may
10 not participate in any other retirement program administered by
11 the System under this Article while employed by that employer
12 or any other employer that has adopted the self-managed plan,
13 unless the self-managed plan is terminated in accordance with
14 subsection (i).

15 Participation in the self-managed plan under this Section
16 shall constitute membership in the State Universities
17 Retirement System.

18 A participant under this Section shall be entitled to the
19 benefits of Article 20 of this Code.

20 (f) Establishment of Initial Account Balance. If at the
21 time an employee elects to participate in the self-managed plan
22 he or she has rights and credits in the System due to previous
23 participation in the traditional benefit package, the System
24 shall establish for the employee an opening account balance in
25 the self-managed plan, equal to the amount of contribution
26 refund that the employee would be eligible to receive under

1 Section 15-154 if the employee terminated employment on that
2 date and elected a refund of contributions, except that this
3 hypothetical refund shall include interest at the effective
4 rate for the respective years. The System shall transfer assets
5 from the defined benefit retirement program to the self-managed
6 plan, as a tax free transfer in accordance with Internal
7 Revenue Service guidelines, for purposes of funding the
8 employee's opening account balance.

9 (g) No Duplication of Service Credit. Notwithstanding any
10 other provision of this Article, an employee may not purchase
11 or receive service or service credit applicable to any other
12 retirement program administered by the System under this
13 Article for any period during which the employee was a
14 participant in the self-managed plan established under this
15 Section.

16 (h) Contributions. The self-managed plan shall be funded by
17 contributions from employees participating in the self-managed
18 plan and employer contributions as provided in this Section.

19 The contribution rate for employees participating in the
20 self-managed plan under this Section shall be equal to the
21 employee contribution rate for other participants in the
22 System, as provided in Section 15-157. This required
23 contribution shall be made as an "employer pick-up" under
24 Section 414(h) of the Internal Revenue Code of 1986 or any
25 successor Section thereof. Any employee participating in the
26 System's traditional benefit package prior to his or her

1 election to participate in the self-managed plan shall continue
2 to have the employer pick up the contributions required under
3 Section 15-157. However, the amounts picked up after the
4 election of the self-managed plan shall be remitted to and
5 treated as assets of the self-managed plan. In no event shall
6 an employee have an option of receiving these amounts in cash.
7 Employees may make additional contributions to the
8 self-managed plan in accordance with procedures prescribed by
9 the System, to the extent permitted under rules prescribed by
10 the System.

11 The program shall provide for employer contributions to be
12 credited to each self-managed plan participant in an amount
13 equal to the regular employer contribution that would be
14 required to fund the actual regular cost incurred for each year
15 of service credit earned had the participant chosen to enroll
16 in the traditional benefit plan. ~~at a rate of 7.6% of the~~
17 ~~participating employee's salary, less the amount used by the~~
18 ~~System to provide disability benefits for the employee.~~ The
19 amounts so credited shall be paid into the participant's
20 self-managed plan accounts in a manner to be prescribed by the
21 System.

22 ~~An amount of employer contribution, not exceeding 1% of the~~
23 ~~participating employee's salary, shall be used for the purpose~~
24 ~~of providing the disability benefits of the System to the~~
25 ~~employee. Prior to the beginning of each plan year under the~~
26 ~~self managed plan, the Board of Trustees shall determine, as a~~

1 ~~percentage of salary, the amount of employer contributions to~~
2 ~~be allocated during that plan year for providing disability~~
3 ~~benefits for employees in the self-managed plan.~~

4 The State of Illinois shall make contributions by
5 appropriations to the System of the employer contributions
6 required for employees who participate in the self-managed plan
7 under this Section. The amount required shall be certified by
8 the Board of Trustees of the System and paid by the State in
9 accordance with Section 15-165. The System shall not be
10 obligated to remit the required employer contributions to any
11 of the insurance and annuity companies, mutual fund companies,
12 banks, trust companies, financial institutions, or other
13 sponsors of any of the funding vehicles offered under the
14 self-managed plan until it has received the required employer
15 contributions from the State. In the event of a deficiency in
16 the amount of State contributions, the System shall implement
17 those procedures described in subsection (c) of Section 15-165
18 to obtain the required funding from the General Revenue Fund.

19 (i) (Blank) Termination. ~~The self managed plan authorized~~
20 ~~under this Section may be terminated by the System, subject to~~
21 ~~the terms of any relevant contracts, and the System shall have~~
22 ~~no obligation to reestablish the self-managed plan under this~~
23 ~~Section. This Section does not create a right to continued~~
24 ~~participation in any self-managed plan set up by the System~~
25 ~~under this Section. If the self-managed plan is terminated, the~~
26 ~~participants shall have the right to participate in one of the~~

1 ~~other retirement programs offered by the System and receive~~
2 ~~service credit in such other retirement program for any years~~
3 ~~of employment following the termination.~~

4 (j) Vesting; Withdrawal; Return to Service. A participant
5 in the self-managed plan becomes vested in the employer
6 contributions credited to his or her accounts in the
7 self-managed plan on the earliest to occur of the following:

8 (1) completion of 5 years of service with an employer described
9 in Section 15-106; (2) the death of the participating employee
10 while employed by an employer described in Section 15-106, if
11 the participant has completed at least 1 1/2 years of service;
12 or (3) the participant's election to retire and apply the
13 reciprocal provisions of Article 20 of this Code.

14 A participant in the self-managed plan who receives a
15 distribution of his or her vested amounts from the self-managed
16 plan while not yet eligible for retirement under this Article
17 (and Article 20, if applicable) shall forfeit all service
18 credit and accrued rights in the System; if subsequently
19 re-employed, the participant shall be considered a new
20 employee. If a former participant again becomes a participating
21 employee (or becomes employed by a participating system under
22 Article 20 of this Code) and continues as such for at least 2
23 years, all such rights, service credits, and previous status as
24 a participant shall be restored upon repayment of the amount of
25 the distribution, without interest.

26 (k) Benefit amounts. If an employee who is vested in

1 employer contributions terminates employment, the employee
2 shall be entitled to a benefit which is based on the account
3 values attributable to both employer and employee
4 contributions and any investment return thereon.

5 If an employee who is not vested in employer contributions
6 terminates employment, the employee shall be entitled to a
7 benefit based solely on the account values attributable to the
8 employee's contributions and any investment return thereon,
9 and the employer contributions and any investment return
10 thereon shall be forfeited. Any employer contributions which
11 are forfeited shall be held in escrow by the company investing
12 those contributions and shall be used as directed by the System
13 for future allocations of employer contributions or for the
14 restoration of amounts previously forfeited by former
15 participants who again become participating employees.

16 (Source: P.A. 93-347, eff. 7-24-03.)

17 (40 ILCS 5/15-198.1 new)

18 Sec. 15-198.1. New benefit increases. To the extent that
19 the changes made to this Article by this amendatory Act of the
20 95th General Assembly authorizing the System to offer a
21 self-managed plan are determined to be a new benefit increase
22 within the meaning of Section 15-198, the changes made by this
23 amendatory Act are exempt from the provisions of subsection (d)
24 of Section 15-198.

1 (40 ILCS 5/16-104.1 new)

2 Sec. 16-104.1. Traditional benefit package. "Traditional
3 benefit package" means the defined benefit retirement program
4 maintained by the System, which includes retirement annuities
5 payable directly from the System, as provided in Sections
6 16-132 through 16-136.4; disability benefits payable under
7 Sections 16-149 through 16-149.5; survivor's benefits payable
8 directly from the System, as provided in Sections 16-140
9 through 16-143.1; and contribution refunds, as provided in
10 Sections 16-138, 16-143.2, and 16-151.

11 (40 ILCS 5/16-104.2 new)

12 Sec. 16-104.2. Self-managed plan. "Self-managed plan"
13 means the defined contribution retirement program maintained
14 by the System, as described in Section 16-158.2. The
15 self-managed plan also includes disability benefits, as
16 provided in Sections 16-149 through 16-149.5 (but disregarding
17 disability retirement annuities under Section 16-149.2). The
18 self-managed plan does not include retirement annuities or
19 survivor's benefits payable directly from the System as
20 provided in Sections 16-132 through 16-136.4, Sections 16-140
21 through 16-143.1, and Section 16-149.2, or refunds determined
22 under Sections 16-138, 16-143.2, and 16-151.

23 (40 ILCS 5/16-131.7 new)

24 Sec. 16-131.7. Retirement program elections.

1 (a) For the purposes of this Act:

2 "Eligible member" means a either a currently eligible
3 member or a newly eligible member.

4 "Currently eligible member" means a member who is employed
5 by an employer on the date on which the employer first offers
6 to its employees the self-managed plan as an alternative to the
7 traditional benefit package.

8 "Newly eligible member" is a member who first becomes
9 employed by an employer after the date on which the employer
10 first offers its members the self-managed plan as an
11 alternative to the traditional benefit package.

12 (b) Effective as of the date that an employer adopts the
13 self-managed plan as described in Section 16-158.2 as an
14 alternative to the traditional benefit package, each of that
15 employer's currently eligible members shall be given the choice
16 to elect which retirement program he or she wishes to
17 participate in with respect to all periods of covered
18 employment occurring on and after the effective date of the
19 employee's election. The retirement program election made by a
20 currently eligible member must be made in writing, in the
21 manner prescribed by the System, and within the time period
22 described in this Section.

23 If a currently eligible member elects the self-managed
24 plan, then that election is irrevocable. If a currently
25 eligible member who elected to participate or participated by
26 default in the traditional benefit plan terminates employment

1 under this Article, then the member, upon his or her subsequent
2 re-employment under this Article, may make an election under
3 this Section.

4 A currently eligible member who fails to make an election
5 under this Section shall, by default, participate in the
6 traditional benefit package.

7 (c) A currently eligible member may elect to participate in
8 the traditional benefit package or the self-managed plan.

9 A currently eligible member must make this election within
10 5 years after the effective date of the employer's adoption of
11 the self-managed plan or, in the case of a currently eligible
12 member who terminates employment under this Article, within 6
13 months after his or her re-employment under this Article.

14 A newly eligible member is automatically enrolled in the
15 self-managed plan under Section 16-158.2.

16 (d) If a currently eligible member elects to participate in
17 the self-managed plan, the System shall fund their account as
18 stated in subsection (f) of Section 16-158.2. Employer
19 contributions to the self-managed plan shall commence as of the
20 first pay period that begins after the System receives the
21 member's election.

22 (e) A currently eligible member shall be provided with
23 written information prepared or prescribed by the System that
24 describes the member's retirement program choices. The
25 eligible member shall be offered an opportunity to receive
26 counseling from the System prior to making his or her election.

1 This counseling may consist of videotaped materials, group
2 presentations, individual consultation with an employee or
3 authorized representative of the System in person or by
4 telephone or other electronic means, or any combination of
5 these methods.

6 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

7 Sec. 16-152. Contributions by members.

8 (a) Each member shall make contributions for membership
9 service to this System as follows:

10 (1) Effective July 1, 1998, contributions of 7.50% of
11 salary towards the cost of the retirement annuity. Such
12 contributions shall be deemed "normal contributions".

13 (2) Effective July 1, 1969, contributions of 1/2 of 1%
14 of salary toward the cost of the automatic annual increase
15 in retirement annuity provided under Section 16-133.1.

16 (3) Effective July 24, 1959, contributions of 1% of
17 salary towards the cost of survivor benefits. Such
18 contributions shall not be credited to the individual
19 account of the member and shall not be subject to refund
20 except as provided under Section 16-143.2.

21 (4) Effective July 1, 2005, contributions of 0.40% of
22 salary toward the cost of the early retirement without
23 discount option provided under Section 16-133.2. This
24 contribution shall cease upon termination of the early
25 retirement without discount option as provided in Section

1 16-176. The contributions made under this paragraph (4)
2 shall be used by the System to fund benefits under Sections
3 16-149 through 16-149.5 for those that participate in the
4 self-managed plan.

5 (b) The minimum required contribution for any year of
6 full-time teaching service shall be \$192.

7 (c) Contributions shall not be required of any annuitant
8 receiving a retirement annuity who is given employment as
9 permitted under Section 16-118 or 16-150.1.

10 (d) A person who (i) was a member before July 1, 1998, (ii)
11 retires with more than 34 years of creditable service, and
12 (iii) does not elect to qualify for the augmented rate under
13 Section 16-129.1 shall be entitled, at the time of retirement,
14 to receive a partial refund of contributions made under this
15 Section for service occurring after the later of June 30, 1998
16 or attainment of 34 years of creditable service, in an amount
17 equal to 1.00% of the salary upon which those contributions
18 were based.

19 (e) A member's contributions toward the cost of early
20 retirement without discount made under item (a)(4) of this
21 Section shall not be refunded if the member has elected early
22 retirement without discount under Section 16-133.2 and has
23 begun to receive a retirement annuity under this Article
24 calculated in accordance with that election. Otherwise, a
25 member's contributions toward the cost of early retirement
26 without discount made under item (a)(4) of this Section shall

1 be refunded according to whichever one of the following
2 circumstances occurs first:

3 (1) The contributions shall be refunded to the member,
4 without interest, within 120 days after the member's
5 retirement annuity commences, if the member does not elect
6 early retirement without discount under Section 16-133.2.

7 (2) The contributions shall be included, without
8 interest, in any refund claimed by the member under Section
9 16-151.

10 (3) The contributions shall be refunded to the member's
11 designated beneficiary (or if there is no beneficiary, to
12 the member's estate), without interest, if the member dies
13 without having begun to receive a retirement annuity under
14 this Article.

15 (4) The contributions shall be refunded to the member,
16 without interest, within 120 days after the early
17 retirement without discount option provided under Section
18 16-133.2 is terminated under Section 16-176.

19 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

20 (40 ILCS 5/16-158.2 new)

21 Sec. 16-158.2. Self-managed plan.

22 (a) The General Assembly finds that it is important for
23 schools to be able to attract and retain the most qualified
24 employees and that in order to attract and retain these
25 employees, schools should have the flexibility to provide a

1 defined contribution (self-managed) plan for eligible members.
2 Accordingly, the Teachers' Retirement System of the State of
3 Illinois is hereby authorized to establish and administer a
4 self-managed plan, which shall offer participating members the
5 opportunity to accumulate assets for retirement through a
6 combination of member and employer contributions that may be
7 invested in mutual funds, collective investment funds, or other
8 investment products and used to purchase annuity contracts,
9 either fixed or variable or a combination of fixed and
10 variable. The plan must be qualified under the Internal Revenue
11 Code of 1986.

12 (b) Each employer subject to this Article shall adopt the
13 self-managed plan established under this Section. This
14 election is irrevocable. An employer's election to adopt the
15 self-managed plan makes available to the eligible members of
16 that employer the elections described in Section 16-131.7.

17 The Teachers' Retirement System of the State of Illinois
18 shall be the plan sponsor for the self-managed plan and shall
19 prepare a plan document and adopt any rules and procedures as
20 are considered necessary or desirable for the administration of
21 the self-managed plan. Consistent with its fiduciary duty to
22 the participants and beneficiaries of the self-managed plan,
23 the Board of Trustees of the System may delegate aspects of
24 plan administration as it sees fit to companies authorized to
25 do business in this State, to the employers, or to a
26 combination of both.

1 (c) Selection of service providers and funding vehicles.
2 The System shall solicit proposals to provide administrative
3 services and funding vehicles for the self-managed plan from
4 insurance and annuity companies and mutual fund companies,
5 banks, trust companies, or other financial institutions
6 authorized to do business in this State. In reviewing the
7 proposals received and approving and contracting with no fewer
8 than 2 and no more than 7 companies, the Board of Trustees of
9 the System shall consider, among other things, the following
10 criteria:

11 (1) the nature and extent of the benefits that would be
12 provided to the participants;

13 (2) the reasonableness of the benefits in relation to
14 the premium charged;

15 (3) the suitability of the benefits to the needs and
16 interests of the participating members and employers;

17 (4) the ability of the company to provide benefits
18 under the contract and the financial stability of the
19 company; and

20 (5) the efficacy of the contract in the recruitment and
21 retention of employees.

22 The System shall periodically review each approved
23 company. A company may continue to provide administrative
24 services and funding vehicles for the self-managed plan only so
25 long as it continues to be an approved company under contract
26 with the Board.

1 In addition to the companies approved by the System under
2 this subsection (c), the System may offer its participants an
3 investment fund managed by the System.

4 (d) Participants in the program must be allowed to direct
5 the transfer of their account balances among the various
6 investment options offered, subject to applicable contractual
7 provisions. The participant shall not be deemed a fiduciary by
8 reason of providing such investment direction. A person who is
9 a fiduciary shall not be liable for any loss resulting from
10 such investment direction and shall not be deemed to have
11 breached any fiduciary duty by acting in accordance with that
12 direction. Neither the System nor the employer guarantees any
13 of the investments in the participant's account balances.

14 (e) A currently eligible member, as defined in Section
15 16-131.7, must make a written election to participate in the
16 self-managed plan in accordance with the provisions of Section
17 16-131.7 and the procedures established by the System.
18 Participation in the self-managed plan shall begin on the first
19 day of the month immediately following the month in which the
20 currently eligible member's election is filed with the System
21 or when a newly eligible member, as defined in Section
22 16-131.7, enters the System, but not sooner than the effective
23 date of the self-managed plan. The System shall make the
24 self-managed plan available under this Article by January 1,
25 2009. A member's participation in the traditional retirement
26 package under this Article shall terminate on the date that

1 participation in the self-managed plan begins.

2 A member who has elected to participate in the self-managed
3 plan under this Section must continue participation while he or
4 she remains a member, and may not participate in the
5 traditional benefit package while employed by that employer or
6 any other employer under this Article.

7 Participation in the self-managed plan under this Section
8 shall constitute membership in the Teachers' Retirement System
9 of the State of Illinois.

10 A participant under this Section shall be entitled to the
11 benefits of Article 20 of this Code.

12 (f) If, at the time an employee elects to participate in
13 the self-managed plan, the employee has rights and credits in
14 the System due to previous participation in the traditional
15 benefit package, the System shall establish for the employee an
16 opening account balance in the self-managed plan, equal to (i)
17 the amount of the contribution refund that the employee would
18 be eligible to receive under Section 16-143.2 and 16-151 if the
19 employee terminated employment on that date and elected a
20 refund of contributions, plus (ii) an amount equal to the
21 regular employer contribution that would be required to fund
22 the actual regular cost incurred for each year of service
23 credit earned, provided that the total opening account balance
24 does not exceed 7.6% of that participant's salary for that
25 year, plus interest. The interest used in this subsection (f)
26 is calculated as the average annual rate of return that the

1 System has earned over the past 20 fiscal years and is
2 compounded. The System shall transfer assets from the defined
3 benefit retirement program to the self-managed plan, as a
4 tax-free transfer in accordance with Internal Revenue Service
5 guidelines, for purposes of funding the employee's opening
6 account balance.

7 (g) Notwithstanding any other provision of this Article, a
8 member may not purchase or receive service or service credit
9 applicable to the traditional benefit package under this
10 Article for any period during which the member was a
11 participant in the self-managed plan established under this
12 Section.

13 (h) The self-managed plan shall be funded by contributions
14 from participants in the self-managed plan and employer
15 contributions as provided in this Section.

16 The contribution rate for participants in the self-managed
17 plan under this Section shall be equal to the member
18 contribution rate for all participants in the System, as
19 provided in Section 16-152. This required contribution shall be
20 made as an employer pick-up under Section 414(h) of the
21 Internal Revenue Code of 1986 or any successor Section thereof.
22 A participant in the System's traditional benefit package prior
23 to his or her election to participate in the self-managed plan
24 shall continue to have the employer pick up the contributions
25 required under Section 16-152. However, the amounts picked up
26 after the election of the self-managed plan shall be remitted

1 to and treated as assets of the self-managed plan. In no event
2 shall a member have the option of receiving these amounts in
3 cash. Members may make additional contributions to the
4 self-managed plan in accordance with procedures prescribed by
5 the System, to the extent permitted under rules prescribed by
6 the System.

7 The program shall provide for State contributions to be
8 credited to each self-managed plan participant in an amount
9 equal to the regular employer contribution that would be
10 required to fund the actual regular cost incurred for each year
11 of service credit earned had the participant chosen to enroll
12 in the traditional benefit plan.

13 An amount of employer contribution, not exceeding 1% of the
14 participating member's salary, shall be used for the purpose of
15 providing the disability benefits of the System to the member.
16 Prior to the beginning of each plan year under the self-managed
17 plan, the Board of Trustees shall determine, as a percentage of
18 salary, the amount of member contributions to be allocated
19 during that plan year for providing disability benefits for
20 members in the self-managed plan. The provisions of this
21 paragraph shall be administered in conjunction with the
22 provisions of Section 16-132.

23 The State of Illinois shall make contributions by
24 appropriations to the System of the employer contributions
25 required for participants in the self-managed plan under this
26 Section. The amount required shall be certified by the Board of

1 Trustees of the System and paid by the State in accordance with
2 Section 16-158. The System shall not be obligated to remit the
3 required employer contributions to any of the insurance and
4 annuity companies, mutual fund companies, banks, trust
5 companies, financial institutions, or other sponsors of any of
6 the funding vehicles offered under the self-managed plan until
7 it has received the required employer contributions from the
8 State. In the event of a deficiency in the amount of State
9 contributions, the System shall implement those procedures
10 described in subsection (b-1) of Section 16-158 to obtain the
11 required funding from the Common School Fund.

12 (i) A participant in the self-managed plan becomes vested
13 in the employer contributions credited to his or her accounts
14 in the self-managed plan on the earliest to occur of the
15 following: (1) attainment of at least 5 years of creditable
16 service under this Article; (2) the death of the participating
17 member while employed under this Article, if the participant
18 has completed at least 1.5 years of service; or (3) the
19 participant's election to retire and apply the reciprocal
20 provisions of Article 20 of this Code.

21 A participant in the self-managed plan who receives a
22 distribution of his or her vested amounts from the self-managed
23 plan while not yet eligible for retirement under this Article
24 (and Article 20, if applicable) shall forfeit all service
25 credit and accrued rights in the System; if subsequently
26 re-employed under this Article, the participant shall be

1 considered a new member. If a former participant in the
2 self-managed plan again becomes a member (or becomes employed
3 by a participating system under Article 20 of this Code) and
4 continues as such for at least 2 years, all such rights,
5 service credits, and previous status as a participant shall be
6 restored upon repayment of the amount of the distribution,
7 without interest.

8 (j) If a member participating in the self-managed plan who
9 is vested in employer contributions terminates employment, the
10 member shall be entitled to a benefit that is based on the
11 account values attributable to both employer and member
12 contributions and any investment return thereon.

13 If a member participating in the self-managed plan who is
14 not vested in employer contributions terminates employment,
15 the member shall be entitled to a benefit based solely on the
16 account values attributable to the member's contributions and
17 any investment return thereon, and the employer contributions
18 and any investment return thereon shall be forfeited. Any
19 employer contributions that are forfeited shall be held in
20 escrow by the company investing those contributions and shall
21 be used, as directed by the System, for future allocations of
22 employer contributions or for the restoration of amounts
23 previously forfeited by former participants who again become
24 participants in the self-managed plan.

1 Sec. 16-203.1. New benefit increases. To the extent that
2 the changes made to this Article by this amendatory Act of the
3 95th General Assembly authorizing the System to offer a
4 self-managed plan are determined to be a new benefit increase
5 within the meaning of Section 16-203, the changes made by this
6 amendatory Act are exempt from the provisions of subsection (d)
7 of Section 16-203.

8 (40 ILCS 5/18-105.1 new)

9 Sec. 18-105.1. Traditional benefit package. "Traditional
10 benefit package" means the defined benefit retirement program
11 maintained by the System, which includes retirement annuities
12 payable directly from the System, as provided in Sections
13 18-124 through 18-125.1; disability retirement annuities
14 payable under Sections 18-126 and 18-126.1; survivor's
15 annuities payable directly from the System, as provided in
16 Section 18-123 and Sections 18-128 through 18-128.1 and Section
17 18-128.3; and contribution refunds as provided in Section
18 18-129.

19 (40 ILCS 5/18-105.2 new)

20 Sec. 18-105.2. Self-managed plan. "Self-managed plan"
21 means the defined contribution retirement program maintained
22 by the System, as described in Section 18-133.2. The
23 self-managed plan also includes disability benefits, as
24 provided in Section 18-126.1. The self-managed plan does not

1 include retirement annuities or survivor's annuities payable
2 directly from the System, as provided in Section 18-123,
3 Sections 18-124 through 18-126, Sections 18-128 through
4 18-128.1, and Section 18-128.3 or refunds determined under
5 Section 18-129.

6 (40 ILCS 5/18-123.3 new)

7 Sec. 18-123.3. Retirement program elections.

8 (a) For the purposes of this Section:

9 "Eligible participant" means either a currently eligible
10 participant or a newly eligible participant.

11 "Currently eligible participant" means a participant who
12 is employed as a judge on the date on which the System first
13 offers the self-managed plan as an alternative to the
14 traditional benefit package.

15 "Newly eligible participant" means a participant who first
16 becomes employed as a judge after the date on which the System
17 first offers the self-managed plan as an alternative to the
18 traditional benefit package.

19 (b) When the System offers to participants the self-managed
20 plan as an alternative to the traditional benefit package, each
21 currently eligible participant shall be given the choice to
22 elect which retirement program he or she wishes to participate
23 in with respect to all periods of covered employment occurring
24 on or after the effective date of the participant's election.
25 The retirement program election made by a currently eligible

1 participant must be made in writing, in the manner prescribed
2 by the System, and within the time period described in this
3 Section.

4 If a currently eligible participant elects the
5 self-managed plan, then that election is irrevocable. If a
6 currently eligible participant who elected to participate or
7 participated by default in the traditional benefit plan
8 terminates employment under this Article, then the
9 participant, upon his or her subsequent re-employment under
10 this Article, may make an election under this Section.

11 A currently eligible participant who fails to make an
12 election under this Section shall, by default, participate in
13 the traditional benefit package.

14 (c) A currently eligible participant may elect to
15 participate in the traditional benefit package or the
16 self-managed plan.

17 A currently eligible participant must make this election
18 within 5 years after the effective date of the employer's
19 adoption of the self-managed plan or, in the case of a
20 currently eligible participant who terminates employment under
21 this Article, within 6 months after his or her re-employment
22 under this Article.

23 A newly eligible participant is automatically enrolled in
24 the self-managed plan under Section 18-133.2.

25 (d) If a currently eligible participant elects to
26 participate in the self-managed plan, the System shall fund

1 their account as stated in subsection (f) of Section 18-133.2.
2 Employer contributions to the self-managed plan shall commence
3 as of the first pay period that begins after the System
4 receives the member's election.

5 (e) A currently eligible participant shall be provided with
6 written information prepared or prescribed by the System that
7 describes the participant's retirement program choices. The
8 eligible participant shall be offered an opportunity to receive
9 counseling from the System prior to making his or her election.
10 This counseling may consist of videotaped materials, group
11 presentations, individual consultation with an employee or
12 authorized representative of the System in person or by
13 telephone or other electronic means, or any combination of
14 these methods.

15 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

16 Sec. 18-133. Financing; employee contributions.

17 (a) Effective July 1, 1967, each participant is required to
18 contribute 7 1/2% of each payment of salary toward the
19 retirement annuity. Such contributions shall continue during
20 the entire time the participant is in service, with the
21 following exceptions:

22 (1) Contributions for the retirement annuity are not
23 required on salary received after 18 years of service by
24 persons who were participants before January 2, 1954.

25 (2) A participant who continues to serve as a judge

1 after becoming eligible to receive the maximum rate of
2 annuity may elect, through a written direction filed with
3 the Board, to discontinue contributing to the System. Any
4 such option elected by a judge shall be irrevocable unless
5 prior to January 1, 2000, and while continuing to serve as
6 judge, the judge (A) files with the Board a letter
7 cancelling the direction to discontinue contributing to
8 the System and requesting that such contributing resume,
9 and (B) pays into the System an amount equal to the total
10 of the discontinued contributions plus interest thereon at
11 5% per annum. Service credits earned in any other
12 "participating system" as defined in Article 20 of this
13 Code shall be considered for purposes of determining a
14 judge's eligibility to discontinue contributions under
15 this subdivision (a) (2).

16 (3) A participant who (i) has attained age 60, (ii)
17 continues to serve as a judge after becoming eligible to
18 receive the maximum rate of annuity, and (iii) has not
19 elected to discontinue contributing to the System under
20 subdivision (a) (2) of this Section (or has revoked any such
21 election) may elect, through a written direction filed with
22 the Board, to make contributions to the System based only
23 on the amount of the increases in salary received by the
24 judge on or after the date of the election, rather than the
25 total salary received. If a judge who is making
26 contributions to the System on the effective date of this

1 amendatory Act of the 91st General Assembly makes an
2 election to limit contributions under this subdivision
3 (a)(3) within 90 days after that effective date, the
4 election shall be deemed to become effective on that
5 effective date and the judge shall be entitled to receive a
6 refund of any excess contributions paid to the System
7 during that 90-day period; any other election under this
8 subdivision (a)(3) becomes effective on the first of the
9 month following the date of the election. An election to
10 limit contributions under this subdivision (a)(3) is
11 irrevocable. Service credits earned in any other
12 participating system as defined in Article 20 of this Code
13 shall be considered for purposes of determining a judge's
14 eligibility to make an election under this subdivision
15 (a)(3).

16 (b) Beginning July 1, 1969, each participant is required to
17 contribute 1% of each payment of salary towards the automatic
18 increase in annuity provided in Section 18-125.1. However, such
19 contributions need not be made by any participant who has
20 elected prior to September 15, 1969, not to be subject to the
21 automatic increase in annuity provisions.

22 (c) Effective July 13, 1953, each married participant
23 subject to the survivor's annuity provisions is required to
24 contribute 2 1/2% of each payment of salary, whether or not he
25 or she is required to make any other contributions under this
26 Section. Such contributions shall be made concurrently with the

1 contributions made for annuity purposes.

2 Notwithstanding any provision in this subsection (c) to the
3 contrary, in the case of an employee who participates in the
4 self-managed plan under Section 18-133.2, contributions for
5 survivor's annuity shall be used to fund benefits under Section
6 18-133.2.

7 (Source: P.A. 91-653, eff. 12-10-99.)

8 (40 ILCS 5/18-133.2 new)

9 Sec. 18-133.2. Self-managed plan.

10 (a) The General Assembly finds that it is important to be
11 able to attract and retain the most qualified judges and that
12 in order to attract and retain these judges, the System should
13 have the flexibility to provide a defined contribution
14 (self-managed) plan for eligible participants. Accordingly,
15 the Judges Retirement System of Illinois is hereby authorized
16 to establish and administer a self-managed plan, which shall
17 offer participants the opportunity to accumulate assets for
18 retirement through a combination of participant and employer
19 contributions that may be invested in mutual funds, collective
20 investment funds, or other investment products and used to
21 purchase annuity contracts, either fixed or variable or a
22 combination thereof. The plan must be qualified under the
23 Internal Revenue Code of 1986.

24 (b) The Board shall adopt the self-managed plan established
25 under this Section. An employer's election to adopt the

1 self-managed plan makes available to the eligible participants
2 of that employer the elections described in Section 18-133.2.

3 The Judges Retirement System of Illinois shall be the plan
4 sponsor for the self-managed plan and shall prepare a plan
5 document and prescribe such rules and procedures as are
6 considered necessary or desirable for the administration of the
7 self-managed plan. Consistent with its fiduciary duty to the
8 participants and beneficiaries of the self-managed plan, the
9 Board of Trustees of the System may delegate aspects of plan
10 administration as it sees fit to companies authorized to do
11 business in this State.

12 (c) The System shall solicit proposals to provide
13 administrative services and funding vehicles for the
14 self-managed plan from insurance and annuity companies and
15 mutual fund companies, banks, trust companies, or other
16 financial institutions authorized to do business in this State.
17 In reviewing the proposals received and approving and
18 contracting with no fewer than 2 and no more than 7 companies,
19 the Board of Trustees of the System shall consider, among other
20 things, the following criteria:

21 (1) the nature and extent of the benefits that would be
22 provided to the participants;

23 (2) the reasonableness of the benefits in relation to
24 the premium charged;

25 (3) the suitability of the benefits to the needs and
26 interests of the participants and the employer;

1 (4) the ability of the company to provide benefits
2 under the contract and the financial stability of the
3 company; and

4 (5) the efficacy of the contract in the recruitment and
5 retention of judges.

6 The System shall periodically review each approved
7 company. A company may continue to provide administrative
8 services and funding vehicles for the self-managed plan only so
9 long as it continues to be an approved company under contract
10 with the Board.

11 In addition to the companies approved by the System under
12 this subsection (c), the System may offer its participants an
13 investment fund managed by the System.

14 (d) Participants who are under the self-managed plan must
15 be allowed to direct the transfer of their account balances
16 among the various investment options offered, subject to
17 applicable contractual provisions. The participant shall not
18 be deemed a fiduciary by reason of providing such investment
19 direction. A person who is a fiduciary shall not be liable for
20 any loss resulting from such investment direction and shall not
21 be deemed to have breached any fiduciary duty by acting in
22 accordance with that direction. Neither the System nor the
23 State guarantees any of the investments in the participant's
24 account balances.

25 (e) A currently eligible participant, as defined in Section
26 18-123.3, must make a written election to participate in the

1 self-managed plan in accordance with the provisions of Section
2 18-133.2 and the procedures established by the System.
3 Participation in the self-managed plan shall begin on the first
4 day of the month immediately following the month in which the
5 currently eligible participant's election is filed with the
6 System or when a newly eligible participant, as defined in
7 Section 18-123.3, enters the System, but not sooner than the
8 effective date of the self-managed plan. The System shall make
9 the self-managed plan available under this Article by January
10 1, 2009. A participant's participation in the traditional
11 retirement package under this Article shall terminate on the
12 date that participation in the self-managed plan begins.

13 A participant who has elected to participate in the
14 self-managed plan under this Section must continue
15 participation while employed as a judge, and may not
16 participate in the traditional benefit package administered by
17 the System under this Article while employed as a judge.

18 Participation in the self-managed plan under this Section
19 shall constitute membership in the Judges Retirement System of
20 Illinois.

21 A participant under this Section shall be entitled to the
22 benefits of Article 20 of this Code.

23 (f) If, at the time a participant elects to participate in
24 the self-managed plan, the participant rights and credits in
25 the System due to previous participation in the traditional
26 benefit package, the System shall establish for the participant

1 an opening account balance in the self-managed plan, equal to
2 (i) the amount of the contribution refund that the participant
3 would be eligible to receive under Section 18-129 if the
4 participant terminated employment on that date and elected a
5 refund of contributions, plus (ii) an amount equal to the
6 regular employer contribution that would be required to fund
7 the actual regular cost incurred for each year of service
8 credit earned, provided that the total opening account balance
9 does not exceed 7.6% of that participant's salary for that
10 year, plus interest. The interest used in this subsection (f)
11 is calculated as the average annual rate of return that the
12 System has earned over the past 20 fiscal years and is
13 compounded. The System shall transfer assets from the defined
14 benefit retirement program to the self-managed plan, as a
15 tax-free transfer in accordance with Internal Revenue Service
16 guidelines, for purposes of funding the participant's opening
17 account balance.

18 (g) Notwithstanding any other provision of this Article, a
19 participant may not purchase or receive service or service
20 credit applicable to the traditional benefit package under this
21 Article for any period during which the participant was covered
22 under the self-managed plan established under this Section.

23 (h) The self-managed plan shall be funded by contributions
24 from participants participating in the self-managed plan and
25 State contributions as provided in this Section.

26 The contribution rate for persons participating in the

1 self-managed plan under this Section shall be equal to the
2 participant contribution rate for other participants in the
3 System, as provided in Section 18-133. This required
4 contribution shall be made as an employer pick-up under Section
5 414(h) of the Internal Revenue Code of 1986 or any successor
6 Section thereof. Any employee participating in the System's
7 traditional benefit package prior to his or her election to
8 participate in the self-managed plan shall continue to have the
9 employer pick up that contribution. However, the amounts picked
10 up after the election of the self-managed plan shall be
11 remitted to and treated as assets of the self-managed plan. In
12 no event shall a participant have the option of receiving these
13 amounts in cash. Participants may make additional
14 contributions to the self-managed plan in accordance with
15 procedures prescribed by the System, to the extent permitted
16 under rules prescribed by the System.

17 The program shall provide for State contributions to be
18 credited to each self-managed plan participant in an amount
19 equal to the regular employer contribution that would be
20 required to fund the actual regular cost incurred for each year
21 of service credit earned had the participant chosen to enroll
22 in the traditional benefit plan.

23 An amount of participant contribution, not exceeding 1% of
24 the participant's salary, shall be used for the purpose of
25 providing the disability benefits of the System to the
26 employee. Prior to the beginning of each plan year under the

1 self-managed plan, the Board of Trustees shall determine, as a
2 percentage of salary, the amount of participant contributions
3 to be allocated during that plan year for providing disability
4 benefits for participants in the self-managed plan. The
5 provisions of this paragraph shall be administered in
6 conjunction with the provisions of Section 18-124.

7 The State of Illinois shall make contributions by
8 appropriations to the System of the employer contributions
9 required for participants who are covered under the
10 self-managed plan under this Section. The amount required shall
11 be certified by the Board of Trustees of the System and paid by
12 the State in accordance with Section 18-140. The System shall
13 not be obligated to remit the required employer contributions
14 to any of the insurance and annuity companies, mutual fund
15 companies, banks, trust companies, financial institutions, or
16 other sponsors of any of the funding vehicles offered under the
17 self-managed plan until it has received the required employer
18 contributions from the State. In the event of a deficiency in
19 the amount of State contributions, the System shall implement
20 those procedures described in subsection (b) of Section 18-140
21 to obtain the required funding from the General Revenue Fund.

22 (i) A participant in the self-managed plan becomes vested
23 in the employer contributions credited to his or her accounts
24 in the self-managed plan on the earliest to occur of the
25 following: (1) attainment of 5 years of service credit; (2) the
26 death of the participant while employed as a judge, if the

1 participant has completed at least 1.5 years of service; or (3)
2 the participant's election to retire and apply the reciprocal
3 provisions of Article 20 of this Code.

4 A participant in the self-managed plan who receives a
5 distribution of his or her vested amounts from the self-managed
6 plan while not yet eligible for retirement under this Article
7 (and Article 20, if applicable) shall forfeit all service
8 credit and accrued rights in the System; if subsequently
9 re-employed as a judge, the participant shall be considered a
10 new employee. If a former participant again becomes a
11 participating employee (or becomes employed by a participating
12 system under Article 20 of this Code) and continues as such for
13 at least 2 years, all such rights, service credits, and
14 previous status as a participant shall be restored upon
15 repayment of the amount of the distribution, without interest.

16 (j) If a participant who is vested in employer
17 contributions terminates employment, the participant shall be
18 entitled to a benefit which is based on the account values
19 attributable to both employer and participant contributions
20 and any investment return thereon.

21 If a participant who is not vested in employer
22 contributions terminates employment, the participant shall be
23 entitled to a benefit based solely on the account values
24 attributable to the participant's contributions and any
25 investment return thereon, and the employer contributions and
26 any investment return thereon shall be forfeited. Any employer

1 contributions which are forfeited shall be held in escrow by
2 the company investing those contributions and shall be used, as
3 directed by the System, for future allocations of employer
4 contributions or for the restoration of amounts previously
5 forfeited by former participants who again become
6 participating employees.

7 (40 ILCS 5/18-169.1 new)

8 Sec. 18-169.1. To the extent that the changes made to this
9 Article by this amendatory Act of the 95th General Assembly
10 authorizing the System to offer a self-managed plan are
11 determined to be a new benefit increase within the meaning of
12 Section 18-169, the changes made by this amendatory Act are
13 exempt from the provisions of subsection (d) of Section 18-169.

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.

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40 ILCS 5/2-103.1 new

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40 ILCS 5/2-103.2 new

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40 ILCS 5/2-117.4 new

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40 ILCS 5/2-126

from Ch. 108 1/2, par. 2-126

7

40 ILCS 5/2-126.2 new

8

40 ILCS 5/2-162.1 new

9

40 ILCS 5/14-103.40 new

10

40 ILCS 5/14-103.41 new

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40 ILCS 5/14-105.8 new

12

40 ILCS 5/14-133

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40 ILCS 5/14-133.2 new

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40 ILCS 5/14-152.2 new

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40 ILCS 5/15-103.3

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40 ILCS 5/15-134.5

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40 ILCS 5/15-198.1 new

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40 ILCS 5/16-104.1 new

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40 ILCS 5/16-104.2 new

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40 ILCS 5/16-131.7 new

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40 ILCS 5/16-152

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40 ILCS 5/16-158.2 new

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40 ILCS 5/16-203.1 new

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1 40 ILCS 5/18-105.2 new

2 40 ILCS 5/18-123.3 new

3 40 ILCS 5/18-133 from Ch. 108 1/2, par. 18-133

4 40 ILCS 5/18-133.2 new

5 40 ILCS 5/18-169.1 new